

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-04 H-02 INR-07 L-03 NSAE-00

NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 SAM-01 IO-11

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

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R 231759Z JAN 76

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 5772

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY MOSCOW

AMCONSUL OPORTO

AMEMBASSY PARIS

AMCONSUL PONTA DELGADA

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

USMISSION NATO

DIA WASHDC

USCINCEUR VAIHINGEN GER

C O N F I D E N T I A L LISBON 522

E.O. 11652: GDS

TAGS: PINT, PO

SUBJ: SA CARNEIRO PRESS CONFERENCE

REF: (A) LISBON 0466 (DTG 221312Z JAN 76), (B) LISBON 0431  
(DTG 211116Z JAN 76)

SUMMARY: AT JAN 22 PRESS CONFERENCE, POPULAR DEMOCRATIC PARTY  
LEADER SA CARNEIRO STRONGLY CRITICIZED BOTH SOCIAL DEMOCRATIC  
CENTER PARTY AND SOCIALISTS, LATTER FOR THEIR ALLEGED WILLING-  
NESS TO COMPROMISE DIFFERENCES WITH THE COMMUNISTS AND THEIR  
HANDLING OF THE ECONOMY. SA CARNEIRO'S REMARKS WILL DO LITTLE  
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TO PROMOTE THE KIND OF POLITICAL TRUCE WHICH BOTH HE AND

SOCIALIST LEADER SOARES SAY IN PRIVATE THEY SEEK. END SUMMARY.

1. (BEGIN UNCLASSIFIED) DURING JAN 22 PRESS CONFERENCE, POPULAR DEMOCRATIC PARTY (PPD) LEADER SA CARNEIRO LASHED OUT AT THE COMMUNIST PARTY (PCP) FOR ITS NOW DOCUMENTED ROLE IN THE NOV 25 ABORTIVE COUP (REF A). OTHER HIGHLIGHTS INCLUDED:

-- PS CRITICIZED: SOCIALISTS (PS) HAD ASSUMED AN "AMBIGUOUS POSITION," CONTINUING TO DEFEND COMPROMISE WITH PCP IN SPITE OF COMMUNIST COMPLICITY IN ABORTIVE COUP AND SYSTEMATIC PCP ATTACKS AGAINST DEMOCRATIC FORCES. PS'S HESITATIONS AND VACILLATIONS; THE OPPORTUNISM AND DEMAGOGY OF MANY ITS LEADERS, AND CONTRADICTIONS WITHIN PS MADE COOPERATION DIFFICULT. PS HAD, DE FACTO, SUBSTITUTED ITSELF FOR PREVIOUS PCP PARTISAN PENETRATION OF KEY GOVERNMENT MINISTRIES.

-- CDS CRITICIZED: PPD HAD COURAGE TO OPPOSE GOVERNMENT WHEN IT WAS DANGEROUS TO BE IN OPPOSITION. SOCIAL DEMOCRATIC CENTER (CDS) WAS AMONG THOSE WHO COMPLETELY FORGET THEIR OPPOSITION RESPONSIBILITY DURING DIFFICULT GONCALVES PERIOD.

-- AFM-PARTIES PACT: THE COUNTER-PROPOSAL PRESENTED BY THE REVOLUTIONARY COUNCIL WAS UNACCEPTABLE. REVISED PACT MUST CLEARLY ESTABLISH PRIMACY OF CIVIL OVER MILITARY POWER. THE EXCESSIVE CONCENTRATION OF AUTHORITY IN RC, INCLUDING UNSURPATION OF PROPER RESPONSIBILITIES OF BOTH PRESIDENT AND LEGISLATION ASSEMBLY, WAS INTOLERABLE.

-- THE ECONOMY: APPROACHES TO ECONOMIC PROBLEMS BY BOTH PS AND PCP WERE INADEQUATE. PS WAS OVERLY SIMPLISTIC IN ITS RESORT TO FOREIGN CREDITS AS PANACEA AND DID NOT GET AT BASIC CAUSES. PCP ATTACKS AGAINST RISING COST OF LIVING, FOR WHICH THEY AND SUCCESSIVE GONCALVES ADMINISTRATIONS BORE MAJOR RESPONSIBILITY, WERE PART OF OVERALL CHALLENGE TO AUTHORITY OF SIXTH GOVERNMENT.

-- AGRARIAN REFORM: DOCUMENT OF UNDERSTANDING AMONG PARTIES  
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RELATING TO AGRARIAN SECTOR WOULD BE RESPECTED BY PPD AS LONG AS DOCUMENT'S PROVISIONS WERE RESPECTED AND PPD WAS REPRESENTED IN GOVERNMENT. BUT TRUE AGRARIAN REFORM WAS STILL LONG WAY OFF. DOCUMENT WAS INTERIM UNDERSTANDING DESIGNED TO CORRECT ABUSES IN AGRARIAN SECTOR WHICH HAD OCCURRED UNDER PREVIOUS GOVERNMENTS. PPD RESERVED RIGHT OF CONSTRUCTIVE CRITICISM BOTH IN AGRARIAN SECTOR AND ELSEWHERE.

-- CONSTITUTION: RAPID CONCLUSION OF WORK ON CONSTITUTION WAS ESSENTIAL TO FUNCTIONING OF DEMOCRATIC INSTITUTIONS AND SUPREMACY OF CIVIL POWER. INTEGRATION OF AFM-PARTIES PACT INTO CONSTITUTION COULD ONLY BE PERMITTED IF RECENT RC COUNTER-PROPOSAL WAS RADICALLY REVISED. CONSTITUTION'S ECONOMIC CHAPTER, AS CURRENTLY DRAFTED, MUST ALSO BE REVISED.

-- ECONOMIC RECOVERY: AUSTERITY IN ITSELF WILL NOT CORRECT THE ECONOMIC ILLS FACING THE COUNTRY. TO RESTIMULATE THE ECONOMY, CERTAIN MINIMUM STEPS MUST BE TAKEN, INCLUDING:  
(1) GUARANTEEING MINIMUM CONDITIONS FOR ATTRACTING INVESTMENT, BOTH FOREIGN AND NATIONAL; (2) PREPARATION OF A REALISTIC TRANSITION PLAN, WHICH WOULD GIVE PRIORITY TO INVESTMENTS IN BASIC SOCIAL SECTORS, SUCH AS HOUSING, AND EXPANSION OF INFRASTRUCTURE; (3) STRENGTHENING RELATIONS WITH COMMON MARKET AND EFTA; (4) REVIEWING EXISTING SECTORAL POLICIES, PARTICULARLY IN AGRARIAN SECTOR, TO ENSURE THAT THEY ARE REALISTIC; AND (5) IMPROVING AND REORGANIZING THE PUBLIC SECTOR, ESPECIALLY THE NATIONALIZED SECTOR. (END UNCLASSIFIED)

2. (BEGIN CONFIDENTIAL) SA CARNEIRO'S HARSH WORDS FOR HIS POLITICAL COMPETITORS -- THE PCP AND PS ON THE LEFT AND THE CDS ON THE RIGHT -- REFLECT THE INCREASED TEMPO OF AN ELECTORAL CAMPAIGN WHICH IS ALREADY UNDERWAY. WHILE SA CARNEIRO LEVELED HIS PRINCIPAL ATTACK AT THE PCP, CRITICISM OF THE SOCIALISTS WAS ALSO A MAJOR THEME. HIS REMARKS WILL DO LITTLE TO PROMOTE THE KIND OF TRUCE WHICH BOTH HE AND SOARES IN PRIVATE SAY THEY SEEK.  
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